



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

October 3, 1983

SUBJECT: Clarification on Calculating Actual Production Losses for
Emergency (EM) Loan Applicants Who are Participating in
the Agricultural Stabilization and Conservation Service
(ASCS) Payment-in-Kind (PIK) Program

TO: All State Directors, Farmer Program Chiefs,
District Directors, and County Supervisors

The Agricultural Stabilization and Conservation Service (ASCS) Payment-in-Kind (PIK) program is designed to encourage farmers to reduce their 1983 acreages of wheat, corn, sorghum, upland cotton and rice. In return for participation in the PIK program, producers will receive an amount of the commodity normally grown as payment for reducing planted acreage. Some of these producers have experienced natural disaster losses that substantially reduced their planted crop yield(s) and will reduce their farm income. This notice provides clarification on how PIK benefits are to be treated in the Secretarial designation process and, in calculating an applicant's eligibility and maximum EM loss loan entitlement.

PIK acres will not be considered by the Secretary in determining areas eligible for EM loan assistance. However, the crop yields on PIK acres, including paid diversion and set aside acreage, will be considered as normal for both the disaster and normal year in determining individual applicant eligibility for EM loans.

The FmHA official completing Form FmHA 1945-26, "Calculation of Actual Losses," will list all PIK acres, including paid diversion and set aside acres, which are part of any single enterprise that suffered losses due to the disaster. These PIK and diverted acres will be considered to have produced a normal yield in the disaster year; and the disaster year's gross income on those acres will be determined by multiplying the acres by the normal year yield by the unit price for the commodity. The results of these calculations will be added to the applicant's disaster year gross income from all planted acres. See examples A and B attached.

EXPIRATION DATE: September 30, 1984

FILING INSTRUCTION Preceding
FmHA Instruction 1945-D



913(1945)

Applicants applying for EM loan assistance will be instructed, in writing, by the FmHA County Supervisor, to identify PIK and diverted acres on Form FmHA 1945-22 "Certification of Disaster Losses." The FmHA County Supervisor will also request ASCS, in writing, to identify PIK and diverted acres in section 5, part II of Form FmHA 1945-29 "ASCS Verification of Farm Acreages, Production and Benefits." The information obtained from ASCS on Form FmHA 1945-29 will be cross checked with information provided by the applicant on Form 1945-22. Any discrepancies will be resolved and the correct information recorded in the County Office case file.

A handwritten signature in cursive script, reading "Charles W. Shuman". The signature is written in dark ink and is positioned above the printed name and title.

CHARLES W. SHUMAN
Administrator

Attachments

913(1945)

EXAMPLE A

Applicant: Gary Geiser of Kankakee County, Illinois
 farms a section of land 640 acres.

Normally grows 320 ac. corn and 320 ac. soybeans as cash crops.

Normal yield is 110 bu/ac. for corn and 40 bu/ac. for beans.

Corn base is 320 ac.

Mr. Geiser contracted 30 percent of corn base (96ac.) under PIK Program.
 Due to drought, yields were only 60 bu/ac. for corn and 30 bu/ac. for beans.

Mr. Geiser had crop insurance for which he received indemnity payment of \$24,920.

Kankakee County was named a natural disaster area by Secretary Block, due to the drought, making Farmers Home Administration (FmHA) emergency (EM) loans available to qualified farmers.

Mr. Geiser applied for an FmHA Emergency (EM) loan.

FmHA calculated Mr. Geiser's losses as follows:

Cash corn and soybeans constitute a "Single Enterprise," i.e., cash field crops.

PIK and diverted acres are considered to have produced a normal crop.

<u>CROP</u>	<u>PLANTED</u>	<u>UNIT</u>	<u>NORMAL YEAR</u>		<u>DISASTER YEAR</u>		<u>DOLLAR</u>
	<u>ACRES</u>		<u>PER ACRE</u>	<u>DOLLAR</u>	<u>PER ACRE</u>	<u>DOLLAR</u>	
	<u>DIS. YR.</u>	<u>PRICE</u>	<u>YIELD</u>	<u>VALUE</u>	<u>YIELD</u>	<u>VALUE</u>	<u>LOSS</u>
CORN (PLANTED)	224	2.20/BU.	110 BU.	\$ 54,208	60 BU.	\$ 29,568	\$24,640
CORN (PIK)	96	2.20/BU.	110 BU.	\$ 23,232	110 BU.	\$ 23,232	-0-
SOYBEANS	320	5.50/BU.	40 BU.	\$ 70,400	30 BU.	\$ 52,800	\$17,600
TOTALS				\$147,840		\$105,600	\$42,240

THE MINIMUM QUALIFYING LOSS IS 30 PERCENT BELOW NORMAL YEAR.

MR. GEISER SUSTAINED AN 11.7 PERCENT ACTUAL LOSS IN INCOME DUE TO THE NATURAL DISASTER AND WOULD, THEREFORE, NOT QUALIFY FOR AN EM LOAN.

\$42,240 = GROSS DOLLAR LOSS
 -24,920 = FCIC INDEMNITY PAYMENT
 \$17,320 = NET DOLLAR LOSS
 147,840 = NORMAL YEAR GROSS DOLLAR VALUE
 .117 = PERCENT REDUCTION FROM NORMAL YEAR
 (11.7%)

Position 3

USDA-FmHA
Form FmHA 1945-26
(Rev. 5-26-81)

EXAMPLE A

CALCULATION OF ACTUAL LOSSES

NAME OF APPLICANT
Gary Geiser
DISASTER NO.
S090
COUNTY
Kankakee

A. CALCULATION OF NORMAL AND DISASTER YEAR'S PRODUCTION VALUE (List only those crop and livestock enterprises that have suffered losses due to the disaster, when processed under FmHA Instruction 1945-B.) (List all individual crops and livestock which are part of any single enterprise that suffered losses due to the disaster, when processed under FmHA Instruction 1945-D.)

1.	Cash Crops	Total Acres Disaster Year	Unit Price	Disaster Year		Normal Year		Gross Dollar Loss/Gain
				Yield/Acre	Gross Income	Yield/Acre	Gross Income	
	corn-planted	224	\$2.20/bu.	60 bu.	\$ 29,568	110 bu.	\$ 54,208	\$ 24,640
	corn-PIK contract	96	2.20/bu.	110 bu.	23,232	110 bu.	23,232	-0-
	soybeans	320	5.50/bu.	30 bu.	52,800	40 bu.	70,400	17,600
	Total				105,600		147,840	\$ 42,240
2.	Feed Crops	Total Acres Disaster Year	Unit Price	Disaster Year		Normal Year		Gross Dollar Loss/Gain
				Yield/Acre	Gross Income	Yield/Acre	Gross Income	
			\$		\$		\$	
	Total							\$
3.	Livestock							
	Applicant: Gary Geiser of Kankakee County, Illinois farms a section of land 640 acres. Normally grows 320 ac. corn and 320 ac. soybeans as cash crops. Normal yield is 110 bu/ac. for corn and 40 bu/ac. for beans. Corn base is 320 ac.							\$
	Mr. Geiser contracted 30 percent of corn base (96ac.) under PIK Program. Due to drought, yields were only 60 bu/ac. for corn and 30 bu/ac. for beans.							\$
	Mr. Geiser had crop insurance for which he received indemnity payment of \$24,920.							
	Total							\$
4.	Other Enterprises (Specify)							
	Kankakee County was named a natural disaster area by Secretary Block, due to the drought, making Farmers Home Administration (FmHA) emergency (EM) loans available to qualified farmers.							Gross Dollar Loss/Gain
	Mr. Geiser applied for an FmHA Emergency (EM) loan. FmHA calculated Mr. Geiser's losses as follows: Cash corn and soybeans constitute a "Single Enterprise," i.e., cash field crops.							
	PIK and diverted acres are considered to have produced a normal crop.							
	Totals							\$

5. **Total gross dollar loss** (add items A1, A2, A3 & A4) \$42,240

B. ESTABLISHING ELIGIBILITY - Basic single enterprise from Section A (*Name enterprise*): cash field crops

- | | |
|---|-------------------|
| 1. Enterprise's disaster year's gross dollar loss | \$ 42,240 |
| 2. Insurance and other compensation (from Item C) for this enterprise | <u>24,920</u> |
| 3. Enterprise's actual net dollar loss (subtract Item B2 from Item B1) | <u>\$ 17,320</u> |
| 4. Enterprise's normal year's gross income | <u>\$ 147,840</u> |
| 5. Enterprise's percentage of loss due to the disaster (Item B3 divided by Item B4) | |

NOTE: a. This figure must not be less than 20% for this enterprise to qualify the applicant for EM actual loss assistance when processed under FmHA Instruction 1945-B. % loss

b. This figure must not be less than 30% for this enterprise to qualify the applicant for EM actual loss assistance when processed under FmHA Instruction 1945-D. 11.7 % loss

913(1945)

C. INSURANCE & OTHER COMPENSATION PAID OR TO BE PAID FOR ALL PRODUCTION LOSSES LISTED INITEMS A1, A2, A3, and A4

1. Crop Insurance (*Describe*) All-Risk Crop Insurance on corn and beans \$ 24,920
2. ASCS - Emergency Type Program Benefits (*Describe*) _____ \$ _____
3. Other Compensation from whatever source (*Describe*) _____ \$ _____
4. Total Compensation for Production Losses \$ 24,920

D. DETERMINING MAXIMUM AMOUNT OF EMERGENCY LOAN FOR ACTUAL PRODUCTION LOSSES

1. Total gross dollars loss (*Item A5*) \$ _____
2. Insurance and Other Compensation (*Item C4*) \$ _____
3. Actual Production Loss (*Subtract Item D2 from Item D1*) \$ _____
4. Less 10% of Actual Production Loss, when processed under FmHA Instruction 1945-B. (*Item D3*) \$ _____
- Less 20% of Actual Production Loss, when processed under FmHA Instruction 1945-D. (*Item D3*) \$ _____
5. Maximum Production Loss Loan (*Round to the nearest \$10.00*) \$ _____

E. INSURANCE & OTHER COMPENSATION PAID OR TO BE PAID FOR ALL PHYSICAL LOSSES AS SHOWN
IN ITEM J ON FORM FmHA 1945-22 (*Describe*)

_____ \$ _____

F. PHYSICAL LOSSES

1. Total Physical Loss (*From Form FmHA 1945-22, Item H 10*) \$ _____
2. Insurance and Other Compensation received or to be received for Physical Losses (*Item E*) \$ _____
3. Actual Net Physical Loss (*Subtract Item F2 from Item F1 and round to nearest \$10.00*) \$ _____

G. MAXIMUM LOSS LOAN

Add Item D5 and F3 \$ _____

H. REMARKS

I hereby certify that based on the information provided by the applicant as submitted on Form FmHA 1945-22, "Certification of Disaster Losses," and any attachments thereto, and my knowledge of damages caused by the disaster in the designated area, the above calculations of the applicant's losses are reasonable.

☐ The losses are of sufficient magnitude to qualify this applicant for an Emergency actual loss loan.

☐ The losses are not of sufficient magnitude therefore this applicant is not eligible for an Emergency actual loss loan.

(Date)_____
(County Supervisor)

913(1945)

EXAMPLE B

Applicant: George McHenry of Kankakee County, Illinois
 farms a section of land 640 acres.
 Normally grows 320 ac, corn and 320 ac. soybeans as cash crops.
 Normal yield is 110 bu/ac. for corn and 40 bu/ac. for beans.
 Corn base is 320 ac.

Mr. McHenry contracted 30 percent of corn base (96ac.) under PIK Program. In 1983, he planted 224 ac. corn and 320 ac. soybeans. Due to drought, yields were only 60 bu/ac. for corn and 20 bu/ac. for beans.

Mr. McHenry did not have crop insurance.

Kankakee County was named a natural disaster area by Secretary Block, due to the drought, making Farmers Home Administration (FmHA) emergency (EM) loans available to qualified farmers.

Mr. McHenry applied for an FmHA emergency (EM) loan.
 FmHA calculated Mr. McHenry's losses as follows:

Cash corn and soybeans constitute a "Single Enterprise," i.e., cash field crops.

PIK and diverted acres are considered to have produced a normal crop.

<u>CROP</u>	<u>PLANTED ACRES DIS. YR.</u>	<u>UNIT PRICE</u>	<u>NORMAL YEAR PER ACRE YIELD</u>	<u>DOLLAR VALUE</u>	<u>DISASTER YEAR PER ACRE YIELD</u>	<u>DOLLAR VALUE</u>	<u>DOLLAR LOSS</u>
CORN (PLANTED)	224	2.20/BU.	110 BU.	\$ 54,208	60 BU.	\$ 29,568	\$24,640
CORN (PIK)	96	2.20/BU.	110 BU.	\$ 23,232	110 BU.	\$ 23,232	-0-
SOYBEANS	320	5.50/BU.	40 BU.	\$ 70,400	20 BU.	\$ 35,200	\$35,200
TOTALS				\$147,840		\$ 88,000	\$59,840

THE MINIMUM QUALIFYING LOSS IS 30 PERCENT BELOW NORMAL YEAR.
 MR. McHENRY SUSTAINED A 40.4 PERCENT ACTUAL LOSS IN INCOME DUE TO THE
 NATURAL DISASTER AND WOULD, THEREFORE, QUALIFIED FOR AN EM LOAN.

\$59,840 = GROSS DOLLAR LOSS
 -0- = FCIC INDEMNITY PAYMENT
\$59,840 = NET DOLLAR LOSS
147,840 = NORMAL YEAR GROSS DOLLAR VALUE
.404 = PERCENT REDUCTION FROM NORMAL YEAR
 (40.4%)

913(1945)

Portion 3

USDA-FmHA
Form FmHA 1945-26
(Rev. 5-26-81)

EXAMPLE B

CALCULATION OF ACTUAL LOSSES

NAME OF APPLICANT George Mc Henry
DISASTER NO. S090
COUNTY Kankakee

A. CALCULATION OF NORMAL AND DISASTER YEAR'S PRODUCTION VALUE (List only those crop and livestock enterprises that have suffered losses due to the disaster, when processed under FmHA Instruction 1945-B.) (List all individual crops and livestock which are part of any single enterprise that suffered losses due to the disaster, when processed under FmHA Instruction 1945-D.)

1. Cash Crops	Total Acres Disaster Year	Unit Price	Disaster Year		Normal Year		Gross Dollar Loss/Gain
			Yield/Acre	Gross Income	Yield/Acre	Gross Income	
corn-planted	224	\$ 2.20/bu.	60 bu.	\$29,568	110 bu.	\$54,208	\$24,640
corn-PIK contract	96	2.20/bu.	110 bu.	23,232	110 bu.	23,232	-0-
soybeans	320	5.50/bu.	20 bu.	35,200	40 bu.	70,400	35,200
Total				88,000		147,840	\$59,840
2. Feed Crops	Applicant: George McHenry of Kankakee County, Illinois farms a section of land 640 acres. Normally grows 320 ac. corn and 320 ac. soybeans as cash crops. Normal yield is 110 bu/ac. for corn and 40 bu/ac. for beans. Corn base is 320 ac.						Gross Dollar Loss/Gain
							\$
	Mr. McHenry contracted 30 percent of corn base (96ac.) under PIK Program. In 1983, he planted 224 ac. corn and 320 ac. soybeans. Due to drought, yields were only 60 bu/ac. for corn and 20 bu/ac. for beans.						
Total							\$
3. Livestock	Mr. McHenry did not have crop insurance.						Gross Dollar Loss/Gain
	Kankakee County was named a natural disaster area by Secretary Block, due to the drought, making Farmers Home Administration (FmHA) emergency (EM) loans available to qualified farmers.						\$
	Mr. McHenry applied for an FmHA emergency (EM) loan. FmHA calculated Mr. McHenry's losses as follows: Cash corn and soybeans constitute a "Single Enterprise," i.e., cash field crops.						
Total							\$
4. Other Enterprises (Specify)	or Animals Disaster Year	Unit Price	Yield/Acre	Gross Income	Yield/Acre	Gross Income	Gross Dollar Loss/Gain
Totals							\$

E. Total gross dollar loss (add items A1, A2, A3 & A4) \$ 59,840

B. ESTABLISHING ELIGIBILITY - Basic single enterprise from Section A (Name enterprise): cash field crops

1. Enterprise's disaster year's gross dollar loss	\$ 59,840
2. Insurance and other compensation (from Item C) for this enterprise	\$ -0-
3. Enterprise's actual net dollar loss (subtract Item B2 from Item B1)	\$ 59,840
4. Enterprise's normal year's gross income	\$ 147,840
5. Enterprise's percentage of loss due to the disaster (Item B3 divided by Item B4)	

NOTE: a. This figure must not be less than 20% for this enterprise to qualify the applicant for EM actual loss
assistance when processed under FmHA Instruction 1945-B % loss

b. This figure must not be less than 30% for this enterprise to qualify the applicant for EM actual loss
assistance when processed under FmHA Instruction 1945-D 40.4 % loss

913(1945)

C. INSURANCE & OTHER COMPENSATION PAID OR TO BE PAID FOR ALL PRODUCTION LOSSES LISTED IN	
ITEMS A1, A2, A3, and A4	
1. Crop Insurance (Describe)	\$
2. ASCS - Emergency Type Program Benefits (Describe)	\$
3. Other Compensation from whatever source (Describe)	\$
4. Total Compensation for Production Losses	\$ <u>-0-</u>
D. DETERMINING MAXIMUM AMOUNT OF EMERGENCY LOAN FOR ACTUAL PRODUCTION LOSSES	
1. Total gross dollars loss (Item A5)	\$ <u>59,840</u>
2. Insurance and Other Compensation (Item C4)	\$ <u>-0-</u>
3. Actual Production Loss (Subtract Item D2 from Item D1)	\$ <u>59,840</u>
4. Less 10% of Actual Production Loss, when processed under FmHA Instruction 1945-B. (Item D3)	\$
Less 20% of Actual Production Loss, when processed under FmHA Instruction 1945-D. (Item D3)	\$ <u>11,968</u>
5. Maximum Production Loss Loan (Round to the nearest \$10.00)	\$ <u>47,870</u>
E. INSURANCE & OTHER COMPENSATION PAID OR TO BE PAID FOR ALL PHYSICAL LOSSES AS SHOWN	
IN ITEM J ON FORM FmHA 1945-22 (Describe)	
	\$ <u>-0-</u>
F. PHYSICAL LOSSES	
1. Total Physical Loss (From Form FmHA 1945-22, Item H 10)	\$
2. Insurance and Other Compensation received or to be received for Physical Losses (Item E)	\$
3. Actual Net Physical Loss (Subtract Item F2 from Item F1 and round to nearest \$10.00)	\$ <u>-0-</u>
G. MAXIMUM LOSS LOAN	
Add Item D5 and F3	\$ <u>47,870</u>
H. REMARKS	

I hereby certify that based on the information provided by the applicant as submitted on Form FmHA 1945-22, "Certification of Disaster Losses," and any attachments thereto, and my knowledge of damages caused by the disaster in the designated area, the above calculations of the applicant's losses are reasonable.

☐ The losses are of sufficient magnitude to qualify this applicant for an Emergency actual loss loan.

☐ The losses are not of sufficient magnitude therefore this applicant is not eligible for an Emergency actual loss loan.

(Date)

(County Supervisor)